

"(1) gain shall be recognized to such holder (or person) in the same manner as if such holder (or person) had sold such property at its value under subsection (d) on the earliest date such property supports such an interest, and

"(2) such property shall be treated as held by such FASIT for purposes of this part.

"(c) DEFERRAL OF GAIN RECOGNITION.—The Secretary may prescribe regulations which—

"(1) provide that gain otherwise recognized under subsection (a) or (b) shall not be recognized before the earliest date on which such property supports any regular interest in such FASIT or any indebtedness of the holder of the ownership interest (or of any person related to such holder), and

"(2) provide such adjustments to the other provisions of this part to the extent appropriate in the context of the treatment provided under paragraph (1).

"(d) VALUATION.—For purposes of this section—

"(1) IN GENERAL.—The value of any property under this subsection shall be—

"(A) in the case of a debt instrument which is not traded on an established securities market, the sum of the present values of the reasonably expected payments under such instrument determined (in the manner provided by regulations prescribed by the Secretary)—

"(i) as of the date of the event resulting in the

gain recognition under this section, and

"(ii) by using a discount rate equal to 120 percent

of the applicable Federal rate (as defined in section 1274(d)) or such other discount rate specified in such regulations, compounded semiannually, and

"(B) in the case of any other property, its fair market value.

"(2) SPECIAL RULE FOR REVOLVING LOAN ACCOUNTS.—For

purposes of paragraph (1)—

"(A) each extension of credit (other than the accrual of interest) on a revolving loan account shall be treated as a separate debt instrument, and

"(B) payments on such extensions of credit having

substantially the same terms shall be applied to such extensions beginning with the earliest such extension on.

(e) SPECIAL RULES

(1) NON-RECOGNITION RULES NOT TO APPLY

Gain required to be recognized under this section shall be recognized notwithstanding any other provision of this subtitle.

(2) BASIS ADJUSTMENTS.

The basis of any property on which gain is recognized under this section shall be

increased by the amount of gain so recognized.

SEC. 860J. NON-FASIT LOSSES NOT TO OFFSET CERTAIN FASIT INCLUSIONS.

(a) IN GENERAL.—The taxable income of the holder of the ownership interest or any high-vield interest in a FASIT for any taxable year shall in no event be less than the sum of

—
“(1) such holder's taxable income determined solely with respect to such interests (including gains and losses from sales and exchanges of such interests), and